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CANADA LIFE MARKET LEADER IN 1920 RECORD BUSINESS ASSETS OVER FIFTY-FOUR YEARS

CANADA LIFE policyholders are scattered far and wide, and it is with the desire of reaching them in the quickest and most readable form that this report is being published in the newspapers by the Company. A booklet containing even more complete particulars will be mailed upon request.

CANADA LIFE BUSINESS IN 1920

President Reviews Financial Statement

The unusual demand for life assurance which developed in the previous year continued without abatement almost throughout 1920 and our own institution was enabled to issue \$68,500,000, thereby making a new high record for any year of life assurance. The total assets of the company at the end of the year were \$277,000,000. These results are brought about by a growing and stronger and better equipped field organization, concentrating more forcefully upon a better informed public, who are more and more coming to rely life assurance upon a reasonable business basis. One insures his house and furniture against fire, his motor against theft or liability, himself against accident or sickness, not because he cannot bear such loss personally should it occur, but because he realizes there is no necessity of his doing so and he is at last beginning to see that the same reason exists but in stronger measure why his estate or family should not bear alone a loss occasioned by his death.

This more intelligent appreciation of the use of life insurance will have a salutary influence in preventing the lapse and surrender of policies at the first approach of a money scarcity such as is now widely felt. In the past there has been a too prevalent tendency when in temporary financial need to cancel life insurance as more or less of a luxury which can be dispensed with, or to borrow upon it to tide over some unimportant difficulty. At the risk of being thought as harping upon an abused and threadbare subject often considered by the insurance company personal concern only one must here repeat the warning so frequently given against a too ready and thoughtless disturbance of a protection valuable alike to those of ordinary or extraordinary means. The first step toward the ultimate cancellation of a policy is the borrowing upon its security, because the repayment of such borrowing is unfortunately the exception rather than the rule, and in time the assured wearies of paying premium plus interest upon a decreased assurance. The company's aim is to continue the propaganda aimed at the policy loan, its prevention or repayment as a part of their conservative effort, but there is room for vastly greater activity in this direction.

Business in Great Britain.
The general business success in our branch organizations continues and each has had its full share in the expansion of the year. Opportunity was taken to visit with the General Superintendent many of our offices and a most encouraging optimism and activity was everywhere apparent. I spent some months in Great Britain, accompanied by the Treasurer, and made an exhaustive study of the conditions affecting our business on that side of the Atlantic. As some of you know, we have a very active and efficient organization in London, with offices in England and Wales, Scotland and Ireland, which have this year paid for \$3,600,000, or over twice as much as in 1919. Various forces have contributed to this phenomenal success, but outstanding being an effective agency plant and the great appeal this company is able to make to the British public through its liberal policy contract and its bonuses to the assured. Ours is one of the very few life corporations that have been able to carry on during the war period and after without reducing or passing altogether the usual bonuses to their members. This is a great source of strength to us, and as our advantage is likely to continue through a high earning capacity and a low death rate, we anticipate with much confidence a very large accession of new business in Great Britain. We shall look to that country next to Canada for an important share of our total expansion and will gradually and advantageously enlarge our facilities to that end. Advantage was taken of a favorable opportunity to enter Hawaii, under most promising conditions, and we have received from that agency since September first over \$750,000.

Improved Service.
In the effort to give our representatives a more thorough equipment and foundation for the conduct of their business, we evolved a few years ago a course of instruction by correspondence and have more recently added a series of classes which are carried on in the home office. The opportunity thus offered has been seized with avidity and those who have undertaken the course have shown an immediate and marked increase in selling ability, and have left upon their

clients impressions which are full of interest and suggestion to the management. Our ultimate aim is that this company shall be represented in the field only by those who are giving at their entire service, and who have armed themselves with the knowledge so obtained through this course of study. We believe that today life insurance should be sold only by experts.

A Thorough Examination.
In addition to the regular annual inspection by the Canadian Insurance department, the company has recently been submitted to a most thorough and exhaustive examination at the hands of the Insurance Commissioners of Michigan, Illinois, Pennsylvania and Minnesota, whose representatives jointly and concurrently spent several weeks in the home office. Every possible facility was afforded them and a minute inspection was made of all books and records, of all assets, and of all office systems. The result was altogether satisfying to the commissioners and gratifying to your officers, and is summed up in the final paragraph of their report, as follows:

"We find that the Canada Life Assurance Company is in excellent financial condition, and that its affairs are being managed economically and efficiently."

"To deal with the many different branches of the work there are special departments conducted by responsible officers and men."

"All evidence goes to show that the investments of the company are carefully selected. The foregoing report shows that the investments have been distributed over a wide range of suitable securities."

"We have had the co-operation of the officers of the company and the information asked for and data required have been promptly furnished. In fact, every assistance has been rendered to make the examination thorough and complete."

Surplus Earnings.
As the last of our war claims was provided for in the previous year, and as we have in the past twelve months been free from epidemic, there has been no unusual factor affecting the death rate adversely, so that we were able to secure a normal, loss, as the actual deaths have been only 55 per cent. of those expected. The saving from this source again shows a very material increase and has an important part in the creation of net surplus earnings of \$2,153,000.

This sum again constitutes the largest earning in the history of the institution, and enables us to continue without hesitation the present rate of distribution to our policyholders, and to pursue the active program which is bringing us such a gratifying influx of new business. The average rate of return on our investments following a clearly defined course for nearly three-quarters of a century, adds unique stability to our policy contracts, at the same time giving more than usual courage to those who sell them, and much confidence to those who buy.

The Interest Rate.
One of the chief contributors to surplus is, of course, the interest income, and you will be gratified to learn that we have again been able to increase the average rate upon our investments to 6.10 per cent. Throughout the year it has been possible to acquire securities of undoubted value at prices to yield uncommonly high rates. We have purchased for \$2,000,000 of very excellent mortgages on a basis to yield approximately 8 per cent. net. The security was all thoroughly inspected by our own officers and found to be ample and attractive. There has been a new demand for mortgage loans, a very considerable number of which are required to cover accumulated losses of banks. To the extent that this is the case, those lending upon mortgage are relieving the demand upon banks, and thus reflecting to some extent another good feature in certain sections which have suffered severely from the actual price of wheat, which is so much below that anticipated. Our borrowers, however, have on the whole met their obligations as promptly as could be fairly expected of them, and, as usual, we have not included in the asset described as "interest outstanding" any sums in arrears which appear doubtful of collection. While the overdue interest is somewhat larger than a year ago, it is reassuring to know that a large portion of it became due only in December; in fact 47 per cent. of the total arrears pertain to the last six months.

To avoid the loss incident to the transfer of our funds from Great Britain under present exchange conditions, advantage has been taken of the favorable market there and short-term securities with an average yield of 6.45 per cent. to the amount of \$11,000,000 have been purchased in London. Forty-one per cent. of these are obligations of the British Government. The increase in the assets is significant, having in mind the heavy payments, \$2,723,000, involved in the annual quinquennial distribution of profits to policyholders. Usually, a few periods of division have left little margin of income for investment, but at this time the disbursements on this account during the year were greatly exceeded by the income. The expansion lies in the increased income from all sources.

Your assets have again been valued more conservatively. True, there are some items included on the balance sheet which have been shown in the immediate and marked increase in selling ability, and have left upon their

THE PRESIDENT'S ADDRESS Mr. HERBERT C. COX REVIEWS BUSINESS OF 1920 CANADIAN CONDITIONS FAVORABLE FOR FUTURE

In the early part of the year general business conditions continued much as they had been in the previous twelve months. Bank deposits were growing; commercial credits were increasing, although under keen scrutiny; manufacturers were placing enlarged orders for raw materials, wholesalers and retailers were striving to improve their stock; labor through the strike or less forcible means, was demanding and receiving higher wages; the cost of all commodities—necessaries as well as luxuries—was still holding at high level. In short, Government and the public were still greatly spending while all the time protesting against the prices they were called upon to pay. In the early summer the realization seemed suddenly to come that the way to secure reduced prices was to cease buying. The thought came, and one commodity after another has felt the full force of public disapproval. As a result we were immediately plunged into that readjustment which had contemplated but had looked for somewhat later.

Where possible, passed them on to the consumer, and in the meantime, followed by leather and textiles, and later others. As public buying ceased, cancellations—against which there appears to be no adequate protection—poured in upon the manufacturer who, in turn, where possible, passed them on to the producer of raw materials or ingredients. The stock markets, already affected, reflected the aggravated conditions, and the course of securities in general was markedly downward. The usual preparation for the moving of business from the office to the reduction in ordinary credits, but in the early fall other factors entered into the situation, bringing a more severe curtailment of facilities and a widespread depression in activity. The inevitable laying off of labor came, and a time when those released entered other industries which had not yet felt the pinch, but latterly such employment has been more difficult and many skilled workmen find themselves partially or wholly out of work.

Business is Recovering.
This process of recovery from what was an artificial set of conditions induced by the extraordinary circumstances attending the war, though distasteful, is necessary if we are to return to a sound and sane basis of commerce. It is a process which will be hurt alike those who have benefited and those to whom only disadvantage has come through the disappearing conditions, but the silver lining of the cloud must at last become apparent. The result of the resumption of a normal standard of living and working. Already there is evident a greater appreciation of values and a greater inclination to give and to demand a fair exchange, and the view is gaining that the man in the shop is entitled to a reasonable share of the profit which he assists in producing if he is giving that assistance to the full extent of his knowledge and efficiency, and while it would seem that the process of readjustment is a painful one, it is gratifying to find that the many profit-sharing plans which have been evolved for his advantage will continue.

The Exchange Rate.
The exchange situation and the causes leading up to it are so familiar to all that lengthy comment is undesirable, but it may be said in passing that the obvious remedy for Canada lies in the decrease of our purchases and the increase of our exports. It is unfortunate that the capacity of Great Britain has recently not been such as to enable her to take her rightful share of the business offering from this country, as both would have benefited had it been possible for her to do so.

Effect Upon Loan Business.
One effect of the adverse exchange and the high interest rates prevalent in Great Britain is that it has made the security behind them, but any temporary difference between this book value and the present market quotation is covered several times over by the special contingent funds which you have set up during recent years to meet just such a situation. In addition to these funds there is in other of your assets a favorable margin of approximately half a million dollars, and the special provision made for their market value. You will remember that, except in the instance above mentioned, it has been our practice to record any downward movement in our investment values, but we do not take advantage of a rising market to write them up.

The continuous growth of your company has made it necessary for us to absorb practically all of the space in this building and to give careful consideration to its future housing. You will remember that some years ago with this thought in mind even then,

ing in Great Britain which will be increasingly felt in Canada is the difficulty of retaining British monies borrowed by our loan companies upon their debentures for investment in mortgage loans in this country. The margin between the rates demanded in England and those obtainable on proper security here is so narrow as to render the profit on such transactions extremely small and unattractive. As a consequence the loan and other companies depending upon borrowed funds for their investment resources must look in much greater measure to the increasing of their deposits and to the sale of their debentures at a profit. In the latter direction they will still be seriously handicapped for some years by the competition of long-term Government and municipal securities, which can now be obtained at unusually high yield rates. Without disparagement of these institutions, which are a burden of a condition for which they are in no way responsible, it is fair to assume that they will not be able to keep up as they have done with the assets of the rapidly expanding country for mortgage loans or farm development. The other great source of supply for this purpose—the life insurance companies—will therefore have to be prepared to undertake a larger share of the business of the future, and this is so essential to our national growth. It is perhaps not realized that these companies have already lost much of their importance in this way, but their steady "flux of funds requiring safe and permanent investment will enable them to proceed more actively with their lending to the country and to themselves. Some of them have already established their own facilities for the prosecution of such business.

Health Conservation.
There have been held in Canada during the past year many important conventions and conferences, some of them looking to the greater development of trade within the Empire and kindred subjects, while others have had as their object the preservation of public health. The latter is of moment to the life insurance companies, as anything which tends to raise the standard of health and morals bears directly upon their success. The companies themselves have been active in this respect, and have been instrumental in the national health through their medical examinations, which embrace a growing percentage of the population, and through the inclusion of several hundred thousand in their examination and insurance. The companies are also doing much to improve the health of the community through their medical examinations, which embrace a growing percentage of the population, and through the inclusion of several hundred thousand in their examination and insurance.

Housing Problems.
Intimately associated with this question of health is the problem of proper housing facilities in town and country for ever-increasing populations. The Government, through the Department of Health, is doing much to improve the health of the community through their medical examinations, which embrace a growing percentage of the population, and through the inclusion of several hundred thousand in their examination and insurance.

Proper scrutiny and careful selection in the admission of immigrants are of the utmost importance to the life insurance companies, as anything which tends to raise the standard of health and morals bears directly upon their success. The companies themselves have been active in this respect, and have been instrumental in the national health through their medical examinations, which embrace a growing percentage of the population, and through the inclusion of several hundred thousand in their examination and insurance.

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which, as it is disseminated there by such keen and thoughtful observers, cannot fail to broaden the sympathy between the two countries and result in a wider interchange of opinions and commodities to the great advantage of both.

Soldiers' Insurance.
The resettlement of soldier citizens is generally progressing, and of the Canada the highway made appears to be satisfactory. Many have resumed their former occupations or occupations, while many others, approximately 20,000, have been farming without aid through the means afforded by the government or the assistance of their friends. To provide life insurance for them at a minimum cost, and more particularly for those who have been covered by the companies, is a task which the Government assumes all administration expense, and the element of profit is eliminated. These policies are procurable at a rate which has been fixed by the companies. Policies so issued become connected to the soldier's pension, since the death of the insured will result in a reduction by the commuted value of the pension. It is conceivable that in many instances the soldier's pension will exceed the insurance, and to meet this contingency provision is made for the refund of the premium paid. The scheme became operative September 1st, and 1,000 policies of \$3,252,000 have been issued.

The Western Crops.
Weather conditions which affected crops were generally favorable in Manitoba, also the area under cultivation was somewhat smaller than in 1919. The rains assured ample pasture and stock feed into winter quarters in excellent shape.

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OF INTEREST TO POLICYHOLDERS

Notwithstanding payments to policyholders during the year amounting to \$8,254,883, the assets were increased by \$6,756,668.

The assets of your Company at the end of the year were \$277,000,000, the very best class of investments. For instance, bonds of the Dominion and Provincial Governments now represent 22 per cent. of the total assets, having been increased by three million dollars during 1920.

Mortgage loans, another very high class of investments, were also increased by three million dollars, and represent 33 per cent. of the assets.

A particularly good feature of the year was a decrease in the percentage of loans on policies from 14.02 to 13.60 of the assets. While, of course, this is a perfectly good security, it is a satisfaction to note that policyholders appreciate the advisability of paying off their loans.

Frequently a policyholder will pay off a little at a time, thus gradually reducing the indebtedness, and the Company is always ready to assist by accepting these annual payments whenever convenient. In the meantime, while the loan exists, there is an easy and convenient way, open to most policyholders in good health, to "insure" the loan, so that it will not be deducted from the face of the policy, if death occurs within a certain time, and while the loan is being paid off. A letter to the Home Office at Toronto will bring particulars as to this.

ing to early relief, and happily, their success in the past year has been a most encouraging one. The same view of the situation and have been drawn up to the best of our ability. This is now the lowest rate demanded by any of the provinces, and it is a satisfaction to note that policyholders appreciate the advisability of paying off their loans.

Institutional Advertising.
More than ten years unceasing attempts have been made by a few who believe in institutional advertising to secure the life insurance companies to share in a combined campaign of publicity to support the measure of public utility. The measure is a laudable one, and the life insurance companies are in a position to do much to support it. The measure is a laudable one, and the life insurance companies are in a position to do much to support it.

Municipal Finances.
Last year reference was made to the financial difficulties of some of the Western municipalities. It is pleasing to note that the situation has improved. The municipalities are now in a position to do much to support the measure of public utility. The measure is a laudable one, and the life insurance companies are in a position to do much to support it.

The Insurance Act.
It is understood that the intention of the Government to introduce at the approaching session of Parliament a number of amendments to the Insurance Act, which will make that already excellent law more effective. The measure is a laudable one, and the life insurance companies are in a position to do much to support it.

GROUP INSURANCE

Employees of Many Firms
Now Insured in the
Canada Life.

During the past year a large number of Companies have secured Group Insurance protection for their employees. Toward the end of 1920 the applications for Group Insurance were coming in at an increasing rate which bode fair for steadily-increasing volume for 1921.

The Group Policyholders of the Canada Life now include many varied branches of trade and industry, such as—Printing Plants, Lithographing, Leather Making, Furniture Manufacturing, Iron and Steel Foundries, Machinery, Jewellery, Rubber, Oil, Dry Goods, Boots and Shoes, and other lines of business; also special groups, such as Civil Employees, Club Employees, etc.

Nearly all employees have shown great interest in Group Insurance from the time this plan came to their attention. Many have welcomed the Group plan as a much-needed service for employees and their dependents. There are many employees unable to get personal insurance themselves. Many others are not insured because they do not fully realize their responsibilities to their dependents. The Group plan presents an opportunity to the employer to place them all in the insurable and insured class, as every worker and producer ought to be. It also serves as a reward for service and an incentive toward greater co-operation and better stability in employment.

Group Insurance is appreciated by employees, particularly by the better and steadier class of workers, which is a class every employer wants to secure and to hold. Their appreciation grows when deaths occur and they see the funds paid to the widows and mothers, or other beneficiaries, who are generally in great need of the ready cash.

The Group contract of the Company has been drawn up to include every up-to-date feature that is of value to employer and employee. It is one of the most liberal contracts on the market. The premium rates are very low—the year's premium usually amounting to an average of two or three cents a day per employee for each \$1000 insurance. There are no lower rates obtainable anywhere. When deaths occur the claims are paid promptly so that the fund becomes quickly available at a time when most appreciated. All employees who have placed their Group Insurance with the Canada Life are entirely satisfied with the service that the company is in a position to give.

The business of providing Group Insurance for employees is likely to continue until all industries of any account are covered. It is being rapidly extended to include Government and public employees in various parts of the country. Notwithstanding the present period of readjustment in values and the temporary depression in some lines of trade, it is constantly increasing in volume and amount. The new spirit of responsibility in industry to some extent accounts for this. There is abundant evidence of its appreciation by employees, and the verdict of most employers is that it has proven to be an important factor in stabilizing employment and improving relations between employer and employees.

In 1920— The Canada Life Assurance Company (Established in 1847)

Made the following Substantial Progress:

	1919	1920	Increase
Total Assurance in Force increased to	\$376,867,000	\$466,878,000	
Total Assets increased to	76,108,000	277,000,000	200,892,000
Reserves for Protection of Policyholders	68,666,000	5,598,000	
Total Income in 1920	15,729,000	3,717,000	
New Assurances Issued in 1920	48,556,000	17,144,000	
New Assurances paid for in 1920	58,260,000	16,619,000	
Surplus Earned in 1920	2,153,000	283,000	
Dividends to Policyholders in 1920	2,723,000	1,600,000	
Total Payments to Policyholders in 1920	4,286,000	1,907,000	

Above, in brief, are the results for 1920 as shown by the Financial Statement.
Below are a few other important accomplishments during the year.

- Maintained dividends to Policyholders at pre-war scale, notwithstanding increasing costs and some adverse conditions.
- Improved its service to the public through special training of Representatives and careful selection of men.
- Won unstinted praise from the Government Insurance Departments of Michigan, Illinois, Pennsylvania and Minnesota, after most thorough examination of Assets and Management.
- Made the largest Surplus Earnings in the history of the Company.
- Increased the average interest to 6.10 per cent.
- Placed more insurance with present Policyholders than in any other year and increased public interest in Monthly Income, Business Insurance and Group Policies for industrial workers.

(A complete Annual Statement will be mailed upon request.)